

NOTICE OF PROPOSED CHANGES IN REGULATIONS OF THE
CALIFORNIA DEPARTMENT OF SOCIAL SERVICES (CDSS)

ITEM # 2 Electronic Benefit Transfer (EBT) Benefit Adjustments

CDSS hereby gives notice of the proposed regulatory actions described below. Any person interested may present statements or arguments orally or in writing relevant to the proposed regulations at a public hearing to be held September 25, 2002, as follows:

September 25, 2002
Office Building # 9
744 P St. Auditorium
Sacramento, California

The public hearing will convene at 10:00 a.m. and will remain open only as long as attendees are presenting testimony. The Department will adjourn the hearing immediately following the completion of testimony presentations. The above-referenced facility is accessible to persons with disabilities. If you are in need of a language interpreter at the hearing (including sign language), please notify the Department at least two weeks prior to the hearing.

Statements or arguments relating to the proposals may also be submitted in writing, e-mail, or by facsimile to the address/number listed below. All comments must be received by 5:00 p.m. on September 25, 2002.

CDSS, upon its own motion or at the instance of any interested party, may adopt the proposals substantially as described or may modify such proposals if such modifications are sufficiently related to the original text. With the exception of nonsubstantive, technical, or grammatical changes, the full text of any modified proposal will be available for 15 days prior to its adoption to all persons who testify or submit written comments during the public comment period, and all persons who request notification. Please address requests for regulations as modified to the agency representative identified below.

Copies of the express terms of the proposed regulations and the Initial Statement of Reasons are available from the office listed below. This notice, the Initial Statement of Reasons and the text of the proposed regulations are available on the internet at <http://www.dss.cahwnet.gov/ord>. Additionally, all the information which the Department considered as the basis for these proposed regulations (i.e., rulemaking file) is available for public reading/perusal at the address listed below.

Following the public hearing, copies of the Final Statement of Reasons will be available from the office listed below.

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CHAPTERS

Manual of Policies and Procedures, Division 16 (Electronic Benefit Transfer System), Chapter 16-700 (Adjustments), Section 16-705 (Benefit Adjustments for EBT System Errors)

INFORMATIVE DIGEST/POLICY STATEMENT OVERVIEW

Welfare and Institutions Code Sections 18900 through 18919 authorize California to participate in the federal Food Stamp Program that is administered at the national level by the United States Department of Agriculture (USDA), Food and Nutrition Service (FNS). CDSS oversees the program that is administered at the local level by the county welfare departments. The Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA) of 1996 (Public Law 104-193) mandates states to implement an EBT system for food stamp benefit issuance no later than October 1, 2002 (California Approved Waiver Request #2010191 and FNS approval letter dated October 12, 2001). Federal regulation 7 CFR 274.12 provides implementation requirements for an EBT issuance system for food stamp benefits as an alternative to issuing food stamp coupons. State legislation, Assembly Bill 1542 (Chapter 270, Statutes of 1997), establishes the authority for a statewide EBT system to issue food stamp benefits and, at county option, the issuance of cash benefits. An on-line EBT system is an issuance system in which benefits are stored in a central computer database and electronically accessed by cardholders at a point-of-sale (POS) terminal, automated teller machine (ATM), and other electronic fund transfer device utilizing a reusable plastic card. EBT is an extension of debit card access to benefit funds from POS terminals (or ATMs) via electronic fund transfer networks. EBT is a proven technology and is operating in a majority of states.

Current state regulations do not provide the authority for EBT benefit adjustments. These regulations implement requirements in the Welfare and Institutions Code applicable to EBT benefit adjustments.

COST ESTIMATE

1. Costs or Savings to State Agencies: Insignificant costs in the current year that will be absorbed within existing budgets and resources.
2. Costs to Local Agencies or School Districts: None.
3. Nondiscretionary Costs or Savings to Local Agencies: Insignificant costs in the current year that will be absorbed within existing budgets and resources.
4. Federal Funding to State Agencies: Insignificant costs in the current year that will be absorbed within existing budgets and resources.

LOCAL MANDATE STATEMENT

These regulations implement issuance of Food Stamp and cash benefits via the EBT system. The regulations implementing issuance of cash benefits via the EBT system do not impose a mandate on local agencies or school districts because this is a county option as set forth in Welfare and Institutions Code Section 10069. There are no state-mandated local costs in this order that require reimbursement under the laws of California.

The regulations implementing issuance of Food Stamp benefits via the EBT system do impose a mandate upon local agencies, but not on school districts. There are no "state-mandated local costs" in these regulations which require state reimbursement under Section 17500 et seq. of the Government Code because any costs associated with the implementation of these regulations are costs mandated by Federal Food Stamp regulations at 7 CFR 274.12.

STATEMENT OF SIGNIFICANT ADVERSE ECONOMIC IMPACT ON BUSINESS

CDSS has made an initial determination that the proposed action will not have a significant, statewide adverse economic impact directly affecting businesses, including the ability of California businesses to compete with businesses in other states.

STATEMENT OF POTENTIAL COST IMPACT ON PRIVATE PERSONS OR BUSINESSES

CDSS is not aware of any cost impacts that a representative private person or business would necessarily incur in reasonable compliance with the proposed action.

SMALL BUSINESS IMPACT STATEMENT

The Federal regulations and State legislation mandate the use of an EBT system for the issuance of food stamp benefits. FNS authorized food retailers are not required to participate in the EBT system. POS terminals will be provided to authorized retailers with food stamp redemption of at least \$100 per month that do not have, or do not intend to use, their own POS terminal. Those retailers with less than \$100 per month in food stamp redemption may obtain the equipment to participate in EBT at their own expense. Those choosing not to acquire their own equipment will be able to participate in EBT using manual vouchers or other alternative approved by the State. Because food stamp coupons will no longer be used, businesses that issued the coupons for the county welfare offices will no longer have that activity.

The State legislation includes a county option to issue cash benefits through the EBT system. Retailers are not required to participate in the EBT system. In counties that choose the cash option, check cashers who provided cash for CalWORKs warrants may have a decrease in business. Also, ATMs may have an increase in business dispensing cash to EBT cash benefit recipients.

ASSESSMENT OF JOB CREATION OR ELIMINATION

The adoption of the proposed amendments will neither create nor eliminate jobs in the State of California nor result in the elimination of existing businesses or create or expand businesses in the State of California.

STATEMENT OF EFFECT ON HOUSING COSTS

The proposed regulatory action will have no effect on housing costs.

STATEMENT OF ALTERNATIVES CONSIDERED

CDSS must determine that no reasonable alternative considered or that has otherwise been identified and brought to the attention of CDSS would be more effective in carrying out the purpose for which the regulations are proposed or would be as effective and less burdensome to affected private persons than the proposed action.

AUTHORITY AND REFERENCE CITATIONS

CDSS adopts these regulations under the authority granted in Welfare and Institutions Code Sections 10077, 10553, 10554, 18904, and 18904.1. Subject regulations implement and make specific Welfare and Institutions Code Section 10072(i); 7 CFR 274.12(g)(4)(ii); and California Approved Waiver Request #2010167 for 7 CFR 274.12(f)(4)(ii)(B) [subsequently renumbered to 7 CFR 274.12(g)(4)(ii)(B)].

CDSS REPRESENTATIVE REGARDING RULEMAKING PROCESS OF THE PROPOSED REGULATION

Contact Person: Anthony J. Velasquez (916) 657-2586
Backup: Maureen Miyamura (916) 657-2586

CDSS REPRESENTATIVE REGARDING SUBSTANCE OF THE PROPOSED REGULATION

Program Contact: Stan Cagle (916) 654-1529
Backup: Nancy Yee (916) 654-1065

EMERGENCY STATEMENT

These regulations are to be adopted on an emergency basis. In order to allow interested persons an opportunity to submit statements or arguments concerning these regulations, they will be considered at public hearing in accordance with Government Code Section 11346.4.

Agenda Item(s) for this Public Hearing - September 25, 2002

ITEM #1	ORD #0402-10	Child Welfare Services Provisions of AB 1695
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ITEM #2	ORD #0602-13	Electronic Benefit Transfer (EBT) Benefit Adjustments
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